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## Mexico

### Livestock and Products

## Mexico Announces the Continuance of Compensatory Duties on Beef Imports

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**Report Highlights:**

On April 24, 2006, Mexico's Secretariat of Economy (SE) announced that it would continue to apply compensatory duties related to the final anti-dumping resolution on imports of bovine meat under tariff classifications, 0201.10.01, 0201.20.99, 0201.30.01, 0202.10.01, 0202.20.99 and 0202.30.01, from the United States. The announcement came at the conclusion of SE's Sunset Review of the duties and means that the duties will likely be in place for at least another five years. The compensatory duties will not be applicable to beef originating in third countries and shipped from the United States when proof of origin is submitted in accordance with the terms of Article 66 of Mexico's Law of Foreign Trade.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

**Introduction:** This report summarizes an official notice published in Mexico's "*Diario Oficial*" (Federal Register) on April 24, 2006.

**Disclaimer:** This summary is based on a  *cursory* review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the regulation in question, or of its implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete regulation or announcement as published in Spanish, the latter shall prevail.

**Background:** On January 18, 2005, the Secretariat of Economy (SE) published in the *Diario Oficial* (Mexico's "Federal Register") the initiation of a Sunset Review of Mexico's compensatory duties on imports of U.S. beef falling under the following tariff classifications 0201.10.01, 0201.20.99, 0201.30.01, 0202.10.01, 0202.20.99, and 0202.30.01. As part of their review, SE requested comments from domestic cattle and beef producers or any party having a legal interest in the matter (see MX5004). Interested parties were to submit arguments for the continuance or termination of the compensatory duties on imports of beef meat from the United States. SE implemented the duties on August 2, 1999, (see MX9100) and subsequently modified the duties following a NAFTA panel review (see MX4138). The review was initially scheduled for completion on April 30, 2005, but requests for additional information and the need for follow up hearings delayed the announcement of the results.

**FAS/Mexico's Executive Summary:** The Secretariat of Economy (SE) published on April 24, 2006, in the *Diario Oficial* (Federal Register), a resolution indicating that it will continue to apply the compensatory duties imposed on imported U.S. beef and beef by-products under tariff classifications 0201.10.01, 0201.20.99, 0201.30.01, 0202.10.01, 0202.20.99, and 0202.30.01, for another five years.

Taking into consideration the information submitted by the interested parties, the behavior of international markets, actual and potential imports, beef prices, and economic conditions in the domestic industry, SE concluded that enough elements exist to determine that removal of the compensatory duties could damage Mexican producers of boneless and bone-in beef. In its summary, SE cited the following factors in its decision making process.

- The determination that price discrimination on U.S. beef exports could occur again.
- U.S. beef production capacity and export potential is several times the size of Mexico's beef production.
- U.S. beef prices are such that imports from the United States could undermine sale prices in Mexico's domestic industry. Additionally, Mexico is an important market for U.S. beef exports.
- The development of Mexico's industry would be affected if the compensatory duties were eliminated because U.S. exports under conditions of dumping would replace national sales in the short term with subsequent negative effects on Mexico's employment, market participation, production growth, capacity utilization, profits, and income, among others.
- The conditions of sale in the United States are such that there would be significant demand for U.S. beef in light of the asymmetries between the two industries.
- In light of ongoing health restrictions in other major markets for U.S. beef, and because Mexico has historically been an important destination for exports of U.S. beef, it is very probable that U.S. exports would be directed to Mexico and repeat the damage to this important domestic industry.

**Comment:** Mexico's beef industry has expanded production over the course of the NAFTA and steadily increased the value of its production in real terms. The industry is also working to establish itself in key Asian markets such as Japan. Consequently, it was hoped that SE

would determine that the compensatory duties were no longer necessary. However, with this decision, the duties will likely be in place for at least another five years. The NAFTA panel has yet to comment on SE's modifications to the dumping duties that have been in effect since October 21, 2004 (see MX4138). There is still a possibility that the panel will seek further modifications to the duty levels as a result of its review. However, it is not clear when the panel will be ready with its comments.

**Title:** FINAL RESOLUTION OF THE EXAMINATION ON THE VALIDITY OF THE COMPENSATORY DUTIES IMPOSED ON BOVINE MEAT AND EDIBLE OFFAL, MERCHANDISE CLASSIFIED IN TARIFF NUMBERS 0201.10.01, 0201.20.99, 0201.30.01, 0202.10.01, 0202.20.99, and 0202.30.01. OF THE GENERAL TAX LAW ON IMPORTS AND EXPORTS, ORIGINATING IN THE UNITED STATES OF AMERICA, INDEPENDENTLY FROM THE COUNTRY OF SHIPMENT.

**Type of Rule:** Final.

**Products affected:** Product under the following tariff classifications, 0201.10.01, 0201.20.99, 0201.30.01, 0202.10.01, 0202.20.99, and 0202.30.01.

### Important Dates

1. **Publication Date:** April 24, 2006
2. **Effective Date:** April 25, 2006

### For More Information:

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### Internet Connections

*FAS Mexico Web Site:* We are available at <http://www.fas-la.com/mexico> or visit our headquarter home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

**Useful Mexican Web Sites:** Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx) and Mexico's equivalent of the Department of Commerce (SE) can be found at [www.se.gob.mx](http://www.se.gob.mx) These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with the information contained on the mentioned sites.